

**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES**

April 30, 2002



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
BULLITT COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES**

April 30, 2002

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2001 Taxes for Bullitt County Sheriff as of April 30, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$21,134,406 for the districts for 2001 taxes, retaining commissions of \$739,288 to operate the Sheriff's office. The Sheriff distributed taxes of \$20,375,427 to the districts for 2001 Taxes. Taxes of \$1 are due to the districts from the Sheriff and refunds of \$9 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff Should Require Depository Institutions To Pledge Additional Collateral Of \$8,672,002 To Protect Deposits.

Deposits:

The Sheriff's deposits were uninsured and uncollateralized by the amount of \$8,672,002 with bank surety bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Kenneth Rigdon, Bullitt County Judge/Executive

Honorable Paul Parsley, Bullitt County Sheriff

Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the Bullitt County Sheriff's Settlement - 2001 Taxes as of April 30, 2002. This tax settlement is the responsibility of the Bullitt County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bullitt County Sheriff's taxes charged, credited, and paid as of April 30, 2002, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Honorable Paul Parsley, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Require Depository Institutions To Pledge Additional Collateral Of \$8,672,002 To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 29, 2003

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES

April 30, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 2,377,549	\$ 3,075,850	\$ 10,238,015	\$ 3,302,737
Tangible Personal Property	110,423	117,282	307,048	362,470
Intangible Personal Property				169,522
Fire Protection	546			
Taxes Increased Through				
Erroneous Assessments	385	241	1,659	535
Franchise Corporation	151,045	160,360	447,249	
Distilled Spirits Taxes	213,497	135,674	593,659	
Additional Billings	2,025	2,672	7,573	4,230
Limestone, Sand, and Mineral Reserves	893	1,379	3,846	1,239
Bank Franchises	71,863			
Penalties	17,065	21,775	72,501	24,746
Adjusted to Sheriff's Receipt		(1)		
Gross Chargeable to Sheriff	\$ 2,945,291	\$ 3,515,232	\$ 11,671,550	\$ 3,865,479
<u>Credits</u>				
Exonerations	\$ 8,562	\$ 11,134	\$ 31,968	\$ 32,365
Discounts	45,390	54,300	181,751	61,975
Delinquents:				
Real Estate	52,827	66,842	227,448	73,301
Tangible Personal Property	2,070	2,233	5,756	4,573
Intangible Personal Property				651
Total Credits	\$ 108,849	\$ 134,509	\$ 446,923	\$ 172,865
Taxes Collected	\$ 2,836,442	\$ 3,380,723	\$ 11,224,627	\$ 3,692,614
Less: Commissions *	120,836	90,161	370,413	157,224
Taxes Due	\$ 2,715,606	\$ 3,290,562	\$ 10,854,215	\$ 3,535,390
Taxes Paid	2,713,451	3,287,325	10,842,770	3,531,881
Refunds (Current and Prior Year)	2,448	3,246	10,497	3,509
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	\$ (293)	\$ (9)	\$ 948	\$ 0

* and ** See Page 4

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY
 PAUL PARSLEY, COUNTY SHERIFF
 SHERIFF'S SETTLEMENT - 2001 TAXES
 April 30, 2002
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	8,253,014
3.3% on	\$	11,224,627
1% on	\$	1,646,765

** Special Taxing Districts:

Library District	\$	(2)
Health District		(2)
Extension District		(1)
Watershed District		(4)

Due Districts or (Refunds Due Sheriff)	\$	<u>(9)</u>
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BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS

April 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c), stated above. However, as of December 11, 2001 the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$8,672,002 of public funds uninsured and unsecured.

BULLITT COUNTY
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2002
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 11, 2001.

	<u>Bank Balance</u>
Insured and collateralized with a surety bond held by pledging depository institution in the county official's name	\$ 8,500,000
FDIC Insured	100,000
Uncollateralized and uninsured	<u>8,672,002</u>
Total	<u>\$ 17,272,002</u>

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 3, 2001 through April 30, 2002.

Note 4. Interest Income

The Bullitt County Sheriff earned \$58,859 as interest income on 2001 taxes. The Sheriff underpaid interest to the school district in the amount of \$690 while the fee account was underpaid in the amount of \$259.

Note 5. Sheriff's 10% Add-On Fee

The Bullitt County Sheriff collected \$112,525 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Bullitt County Sheriff collected \$2,310 of advertising costs and \$6,350 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENTS
April 30, 2002
(Continued)

Note 7. Tax Escrow Accounts

A. 2000 Tax Account

The 2000 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. The beginning balance on May 1, 2001 was \$3,955 and receipts from May 1, 2001 through December 31, 2001 were \$113 of interest earned. The ending balance as of December 31, 2001 was \$4,068.

B. 1999 Tax Account

The 1999 tax escrow account earned \$409 in interest in calendar year 2001. The ending balance as of December 31, 2001 was \$3,368.

C. 1998 Tax Account

The 1998 tax escrow account earned \$187 in interest in calendar year 2001. Disbursements were \$156 which was interest paid to the Sheriff's Fee Account. The ending balance as of December 31, 2001 was \$5,204.

D. 1997 Tax Account

The 1997 tax escrow account earned \$124 in interest in calendar year 2001. Disbursements were \$123 which was interest paid to the Sheriff's Fee Account. The ending balance as of December 31, 2001 was \$3,440.

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COMMENT AND RECOMMENDATION

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

April 30, 2002

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Additional Collateral Of \$8,672,002 To Protect Deposits

On December 11, 2001, \$8,672,002 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

We have since changed banks and have been assured that it will not be a problem in the future.

PRIOR YEAR:

County Revenue Bond Should Adequately Protect County From Potential Loss

This has been corrected.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Bullitt County Sheriff's Settlement - 2001 Taxes as of April 30, 2002, and have issued our report thereon dated April 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bullitt County Sheriff's Settlement - 2001 Taxes as of April 30, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Additional Collateral Of \$8,672,002 To Protect Deposits



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bullitt County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 29, 2003

